

Message Text

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ORIGIN AF-10

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E.O. 11652: N/A

TAGS: PGOV, EFIN, MP, US

SUBJECT: PROPOSED MAJOR LOAN TO MAURITIUS (?)

1. ACCORDING TO LYLE PALANT, TUCSON, ARIZONA BUSINESSMAN WHO HAS CONTACTED DEPARTMENT, HE IS ATTEMPTING TO CONCLUDE IN NEXT FEW DAYS ARRANGEMENT FOR EXTENSION OF \$130 MILLION IN HARD CURRENCY CREDIT TO MAURITIUS. WHILE DEPARTMENT IS UNSURE OF PALANT'S BONAFIDES, AND HE HAS NOT PROVIDED MANY SPECIFICS, THERE IS ENOUGH SUBSTANCE TO SUGGEST THAT PROPOSAL MAY, AT LEAST, BE PUT TO GOM FOR CONSIDERATION. IN EVENT EMBASSY APPROACHED BY GOM, THE FOLLOWING MAY BE OF SOME VALUE.

2. AS PALANT TELLS STORY, PROPOSED LOAN WOULD BE STRUCTURED AS FOLLOWS:

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A. \$130 MILLION WOULD BE MADE AVAILABLE BY GOVERNMENT OF UNITED ARAB EMIRATES TO GOVERNMENT OF MAURITIUS FOR INVESTMENT IN MAURITIAN PROJECTS JOINTLY APPROVED BY GOM AND LENDER.

B. LINE OF CREDIT WOULD BE MADE AVAILABLE ONLY RPT ONLY TO A QUOTE DULY ELECTED UNQUOTE GOVERNMENT OF MAURITIUS.

C. CREDIT WOULD BE ADMINISTERED BY OR THROUGH CREDIT SUISSE.

D. CREDIT WOULD BE SECURED BY PLEDGING OF MINERAL AND/OR WATER RIGHTS BELONGING TO UNNAMED U.S. PRINCIPALS WHOM PALANT REPRESENTS.

E. IN TURN, HIS FIRM WOULD HAVE ACCESS TO \$20 MILLION LINE OF CREDIT FROM SAME LENDERS.

3. ACCORDING TO PALANT, UAE SEEKS IN RETURN FROM GOM ACCESS TO OR PERHAPS LEASE OF A SITE FOR A NAVAL BASE. HE SAYS HIS SOURCE, CLOSE TO RAMGOOLAM, HAS LEARNED THAT THE GOM IS NEGOTIATING WITH SOMEONE FOR BASE RIGHTS. HE CLAIMS THAT UAE HAS LEARNED OF IRANIAN INTEREST IN SUCH A BASE IN MAURITIUS AND IS TRYING TO STEAL A MARCH. PALANT SAYS THAT HE HOPES USG MIGHT BE WILLING TO JOIN WITH UAE IN SOME FORM OF JOINT CONTROL OF "BASE."

4. DEPARTMENT HAS LISTENED TO PALANT WITH CONSIDERABLE SKEPTICISM. PURELY FINANCIAL ARRANGEMENTS, WHILE ON A SCALE THAT SEEMS UNTOWARD FOR THE MAURITIAN ECONOMY, AND SO VAGUE THAT WE ARE UNABLE TO JUDGE THEIR PLAUSIBILITY, ARE NEVERTHELESS NOT INCONCEIVABLE. IN TALKING WITH US, PALANT HAS MAINLY SOUGHT USG ASSESSMENT OF POLITICAL AND LIMITED OFFICIAL USE

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ECONOMIC STABILITY OF MAURITIUS. HENCE, WE THINK PARA 3 MAY REFLECT DESIRE OF PALANT AND THOSE HE REPRESENTS FOR SOME WAY OF GETTING USG INVOLVED AND THEREBY HEDGING THEIR INVESTMENT.

5. WE HAVE TOLD PALANT THAT THERE IS ABSOLUTELY NO PROSPECT THAT THE USG WOULD WISH TO HAVE ANY PART IN A NAVAL BASE IN MAURITIUS, AND THAT IN VIEW OF ITS NON-ALIGNED STANCE WE DOUBT THE GOM WOULD HAVE ANY INTEREST IN PERMITTING ANYONE TO ESTABLISH A BASE THERE. AS FOR HIS FINANCIAL PROPOSAL, WE HAVE TOLD PALANT THAT THERE IS NO FOREIGN POLICY OBJECTION TO THE DEAL AS OUTLINED, BUT THAT USG OBVIOUSLY CANNOT ENDORSE A PRIVATE VENTURE.

6. PALANT CLAIMS THAT OTHER PARTIES TO VENTURE, INCLUDING UK, UAE AND MAURITIAN CITIZENS (ALL UNNAMED), NOW WISH TO MOVE FORWARD RAPIDLY, AND THAT THEY INTEND TO PUT THE PROPOSAL BEFORE PM RAMGOOLAM WITHIN NEXT FEW DAYS. HE CLAIMS THAT RAM WAS TO HAVE TRAVELED TO UK IN MID-AUGUST TO DISCUSS IT, BUT CANCELLED FOR REASONS UNKNOWN.

7. DEPARTMENT IS NOT INCLINED TO EXERT MUCH MORE EFFORT

ON TRYING TO DETERMINE PALANT'S BONAFIDES IN THE ABSENCE
OF EVIDENCE THAT PROPOSAL IS ACTUALLY BEING FLOATED.
NEVERTHELESS, WOULD APPRECIATE EMBASSY'S COMMENTS, AND
ANY INFORMATION EMBASSY RECEIVES THAT TENDS TO MESH WITH
THE ABOVE ACCOUNT.

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